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Performance Evaluation Using Balanced Scorecard Framework: Insights from A Public Sector Case Study

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Abstract: ***Background:*** *Organizations across the globe use various strategic performance assessment tools to gauge their strategic performance including widely used framework Balanced Scorecard (BSC). Punjab Agriculture & Meat Company (PAMCO) being a public sector organization engaged in the provision of meat processing services has been operating since 2012 in Punjab, Pakistan. PAMCO needs to regularly assess its strategic positioning to remain competitive in a continually evolving and highly competitive economic environment.* ***Objective:*** *This study is part of the doctoral dissertation on PAMCO's capacity assessment under environmental factors and government regulations.* ***Methodology:*** *Mixed method study approach has been used to analyze strategic organizational performance of PAMCO across financial and non-financial parameters using the Balanced Scorecard framework.* ***Result:*** *The study's conclusions reveal that the organization has competitive edge for several noteworthy avenues, including a sizable, satisfied customers base, sustainable operations accomplished through prudent financial management, and support from an established pool of competent human resources. But PAMCO has a lot of challenges to get through, including economic instability, more intense international competition, rising costs, and changing customer preferences.* ***Conclusion:*** *In summary, PAMCO's leadership should prioritize resource optimization through continuous investment in innovations for*

Keywords: BSC, PAMCO, Performance, Strategies, Growth

Introduction

Organizations across the globe use several tools to assess their capacity to strategize for long-term sustainability. Effective strategy implementation depends on various aspects, including but not limited to organizational structure, leadership style, ideology, and the comprehension of possible threats and opportunities (R. S. Kaplan & Norton, 2005). Capacity assessment is a continuing process that enables organizations to sustain themselves under evolving environmental factors. For capacity assessment, the organizations use financial performance factors and environmental and social indicators (Baxter, 2019; Henry, 2021).

David Norton and Robert Kaplan introduced a broad organizational performance assessment tool, the Balanced Scorecard framework, that includes financial and non-financial factors for organizational performance assessment. The balanced scorecard (BSC) is a tactical performance management tool that measures a company's strategic direction toward accomplishing its intended goals (A. Kaplan, 1999; R. S. Kaplan & Norton, 1992, 2005). In the prior studies the scholars have employed BSC framework in diverse entities like education, environment, fuel, and small businesses (Kefe, 2019; Quezada et al., 2019).

However, there has not been any comprehensive or specific study that explains the use of the Balanced Scorecard framework for evaluation of red meat segment in non-profit/public sector organizations operating in developing countries. For this purpose, the study has been intended to fill the gap in literature.

Punjab Agriculture & Meat Company (PAMCO) is a Pakistani public sector organization. The organization has established a modern facility for meat processing and value addition. As mandated, the facility operates under the international quality compliance regime. The organization has implemented a platform to facilitate the commercial production and distribution of meat to facilitate meat value chain stakeholders. The study is part of the doctoral dissertation on PAMCO's capacity assessment under environmental factors and government regulations (Afshar M. Z., 2023). PAMCO's accomplishment of its intended objectives depends heavily on effectively executing strategic initiatives optimally and leveraging internal and external resources.

1. Literature Review

The main theme of the resourced-based view theory of the firm is that if an organization's purpose is to grow and gain competitive advantage in the market, then such an organization should manage valuable assets along with non-substitutable resources and capabilities. The sourced-based view theory describes strategy as the building blocks of business processes. The open system theory, on the other hand, provides information on organizational dependency on environmental input and how to improve the input to process into valuable outputs (**Barney, 1991**). Non-profit organizations in the public sector generally require guidance and financial resources to cater stakeholders' expectations (Aldehayyat & Anchor, 2008). The issues that arise for these organizations include inefficient financial resources utilization, unethical practices, and lack of transparency. These organizations require assistance for attracting and maintaining financial support, thereby hampering their capability to address prevalent social issues adequately (Duque-Zuluaga & Schneider, 2008). Strategic planning is a valuable tool for handling such issues and enhancing the overall performance of an organization (Shea-Van Fossen et al., 2017; Shumate et al., 2017).

The balanced scorecard (BSC) framework, developed by Kaplan, has been a widely used tool for performance assessment in recent years by organizations. This framework translates the organization's objectives into performance measures divided into four aspects involving financial, customer, internal business processes, and learning and growth. This framework analyzes the performance of the organization through the lens of these four perspectives to gain insight into financial and non-financial factors for holistic evaluation of the organization. For each of the four prospects, objectives, measures, targets, and initiatives are designed. The study uses the Balanced Scorecard framework in the performance assessment of the Non-profit Public sector entity PAMCO, a major meat processing organization in Pakistan.

1.1. Objective

The basic purpose of the study is to examine the use of Balanced scorecard as a performance measurement framework to evaluate PAMCO's capacity across financial and non-financial indicators. The study has the following specific objectives.

- The purpose of the study is to observe the effective strategy to evaluate a company's performance across financial and non-financial measures.
- To examine the importance of using the Balanced Scorecard Framework for organizational capacity assessment; and
- To acquire a systematic conception of applying performance assessment techniques for organizational transformation and development.

The objectives have been conceived with the intent to address the requirement for firms to evaluate their performance and proficiently determine areas that require enhancement. Performance assessment tool assist the organizations in making informed decisions to strategize for accomplishment of the intended goals (Hoque, 2014; Quezada et al., 2019). The study has selected the Balanced Scorecard Framework due to its appropriateness for performance measurement of the organization across financial and non-financial perspectives.

1.2. Research Questions

Based upon objectives the study has been conducted to respond to the following research questions:

I. How does the Balanced Scorecard framework provide a comprehensive assessment of organizational performance beyond financial measures?

II. How can PAMCO employ the Balanced Scorecard framework to monitor progress and make informed decisions consistent with its long-term strategic direction?

III. How can PAMCO adopt financial and non-financial aspects into its long-term strategy planning process?

2. Research Methodology

For this study, a mixed methods approach (Nayak et al., 2018) was employed that combined qualitative and quantitative methods to evaluate the financial and non-financial aspects of the organization (Fotheringham & Sachdeva, 2022; Latham, 2016). The quantitative data for this study was collected using an electronic survey disseminated among PAMCO stakeholders and management. A detailed review of the company's annual reports and financial statements was conducted to assess organizational financial performance. The financial and non-financial components of the Balanced Scorecard Framework were used in PAMCO's strategic performance assessment.

2.1. Study Approach

Electronic survey was distributed among study participants for quantitative data analysis followed by interviews and annual reports including service delivery reports and financial statements were examined extensively for qualitative analysis. The study involves finding essential variables and patterns within the dataset, which were subsequently interpreted for performance assessment of PAMCO across financial and non-financial indicators. Statistical tools, Microsoft Excel, JAMOVI and IBM SPSS 20 were used for quantitative data analysis. The qualitative data analysis process involves the utilization of thematic design and the discourse analysis technique.

The diagram of the research design is shown in Fig. 1.

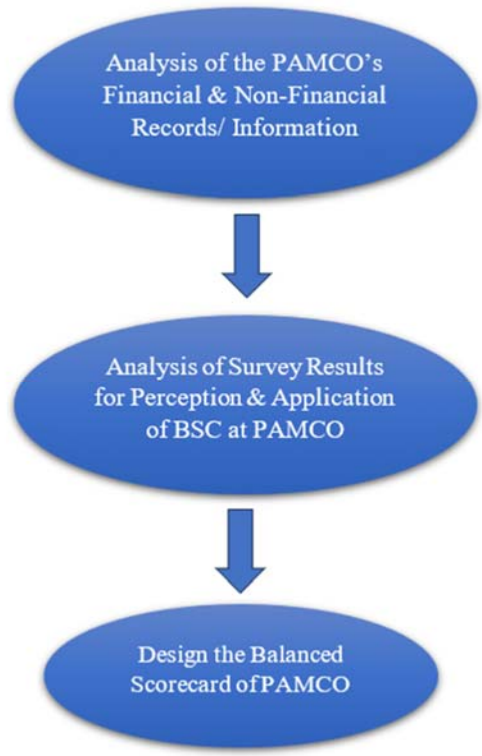

Fig. 1 Research Design

2.2. Frameworks Used

The primary objective of this study has been to evaluate Punjab Agriculture and Meat Company (PAMCO) 's performance using the Balanced Scorecard (BSC) framework. By employing this conceptual framework, the study has been conducted for understanding the factors influencing PAMCO's performance and to highlight crucial strategic concerns.

2.3. Balanced Scorecard (BSC) Framework

The Balanced Scorecard (BSC) analysis, a widely used framework in organizational evaluation, provide a systematic method for assessing the financial as well as non-financial components of a business (Henschel, 2006; R. S. Kaplan & Norton, 1992). The BSC framework thoroughly comprehends an organization's strategic position by systematically evaluating four critical components, i.e., financial, customer, internal processes, and learning and growth (Leung et al., 2006; Quezada et al., 2019). This analysis enables executives to devise strategies that leverage strengths, seize opportunities, and sustain prosperity in an evolving business environment.

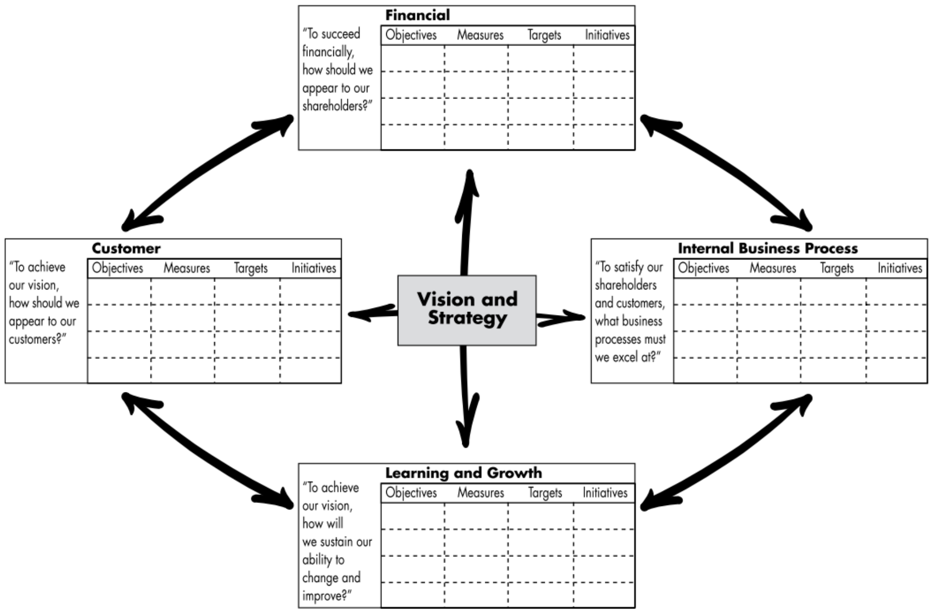

Fig. 2. Balanced Scorecard Framework (R. S. Kaplan & Norton, 2007)

The usefulness of the Balanced Scorecard (BSC) rests in its capacity to offer a comprehensive viewpoint on an organization's performance beyond the limits associated with depending primarily on financial metrics (R. S. Kaplan & Norton, 2005). The Balanced Scorecard (BSC) acknowledges the interdependence of many facets within an organization by integrating non-financial considerations (Henschel, 2006; A. Kaplan, 1999). This integration facilitates a more comprehensive evaluation of the organization's well-being and future potential.

3. Results & Discussion

This section relates to analyzing the data gathered during the research endeavor. The framework of the study has been developed in a manner that effectively supports its core objectives. It succeeds in this aspect by incorporating factual information to support the existing literature and the study's findings. The data was carefully obtained through interviews and questionnaires. This part presents a thorough summary of the analysis performed on the primary data obtained from the stakeholders and management of PAMCO. It covers the study's main findings by analyzing demographic variables and assessing PAMCO through a Balanced Scorecard (BSC) analysis.

3.1. BSC framework Analysis at PAMCO

This part of the study relates to the Balanced Scorecard (BSC) analysis. Key findings of the study are summarized in table 1. It covers the study's main findings by assessing PAMCO through a Balanced Scorecard (BSC) analysis.

Table 1: THE BALANCED SCORECARD OF PAMCO				
	OBJECTIVES	**MEASURES**	**TARGET**	**INITIATIVES**
FINANCIAL	Profitability	The percentage of increase in Revenue	> 10%	Improved profitability through service fee rationalization and cost conservation.
	Sustainability	Performing meat processing services for no. of animals per annum	Meat Processing > 900,000 animals/annum	
	Resource Optimization	Cost Efficiency through Resource Optimization	To ensure sustainable operations	
	Liquidity	Cashflow from Operations	Positive	
CUSTOMER	Customer Satisfaction	Customer Retention Rate	> 92%	Ensuring Quality Service Delivery to the customers in a timely manner.
	Duration of Business Connection with the Customers	Period of offered services to customers	> 12 years	
	Customer Base- Direct	No. of Customers	> 500	
	Customer Base- Indirect	No. of Customers	>5,000	
	Customer Complaints	Number of complaints	< 10	
	Service Delivery	Customer Churn Rate	< 5%	
BUSINESS INTERNAL PROCESS	Preventive Maintenance	Planned Maintenance Percentage	>85%	Developed ability to Sustain Processing Throughput exceeding 95% of Peak Capacity.
	Reduce Interruption of Meat Processing Operation	Total time of interruption in processing/Total processing time	< 5%	
	The Period of Maintenance	Duration of break-downs/Total work hours	< 1%	
	Increase in Processing Capacity	Ratio of capacity utilization	> 50%	
LEARNING & GROWTH	Increase in Training Time for Management Staff	Time spent	7 hr./month	Developed a skilled talent pool and foster interdepartmental synergy.
	Increase in Training Time for Operational Workers	Time spent	5 hr./month	
	Decrease in Absenteeism	Absent hours/ Total working hours	< 1%	
	Decrease in Work Accident	The number of work accidents	< 5	
	Decrease in Labor Turnover Rate	Number of workers quit- ting their jobs/ Total workers	< 7%	

4. Discussions

The study has revealed how Balanced scorecard framework can be applied to Non-profit organizations working in the public sector for performance assessment across financial and non-financial indicators. The inferences drawn across four perspectives in PAMCO are as follows:

Financial Perspective: The study has found that PAMCO has been operating on a self-sustainable basis without obtaining government or donor funding for its operational and administrative expenditures. The higher earnings quality is attributed to cash flow from operations from which the regular expenditure is sourced. Resource optimization is achieved through incremental price rationalization for service delivery coupled with cash conservation measures in downward rationalization of expenditures contributing positively towards overall profitability and earnings before depreciation and amortization. The growth in revenue is related to the service delivery by the company for the number of animals slaughtered per annum. Effective financial management coupled with leadership vision has transformed the entity into a leading livestock sector organization.

Customer Perspective: The study has found that PAMCO exhibits a broad base of loyal customers due to its quality service delivery to the customers in a timely manner. On average the duration of connectivity with customers for service delivery is greater than 12 years and the customer churn rate is less than 5%. The study has further demonstrated that customers have confidence in the services provided by the organization as complaints per annum are less than 10 on average.

Internal Business Process Perspective: The study has found that PAMCO has developed a strong internal control system for effective service delivery by prioritizing preventive maintenance over corrective maintenance. On average the ratio for duration of breakdowns to the total operational working hours has been less than 1% and the organization has developed the ability to sustain smooth processing throughput exceeding 95% of the peak operating capacity. However, a proper mechanism is required to increase the capacity utilization of the meat processing facility through synchronization and upgradation of meat processing and bi product processing units with the installed slaughtering capacity and incorporation of alternate energy sources for production of clean energy and energy conservation to remain competitive in the long run.

Learning & Growth Perspective: The study has found that PAMCO has developed a skilled talent pool to foster interdepartmental collaboration. The organization has invested considerably in the upscaling of the intellectual capacity of its staff, including management and operational staff, for effective service delivery. The labor turnover rate is less than 7% coupled with absenteeism, less than 1% and training time spent by employees on average in a month has been more than 5 hours accomplished by hands on training and online trainings in collaboration with the national and international training providers.

5. Conclusion

This study examines the application of balanced scorecard (BSC) framework for the performance assessment of PAMCO across financial and non-financial aspects. The study concluded that PAMCO is perceived as a strong organization in a challenging macroeconomic environment due to its quality service delivery, skilled human resources, and modern equipment coupled with a broad loyal customer base affording competitive advantage in the market. This study provided excellent practical insight into applying Balanced Scorecard frameworks for performance assessment of non-profit organizations operating in the public sector in developing countries. This study supports the existing literature for the using balanced scorecard model for performance assessment of the service organizations and extend the scope of its application to the government sector organization engaged in public service delivery function.

6. Limitations and Further Studies Requirements

The study findings are expected to have broader applicability to other organizations in the developing countries. However, the study is limited in scope as it focuses on a country specific single organization. Therefore, it is suggested that future research may be conducted to study further for a larger base of organizations. Moreover, the sample selection was conducted using the purposive sampling technique deemed suitable for the current study. However, to investigate a broader range of industries, it is recommended that future research employ a bigger sample size and incorporate random sampling techniques.

7. Declarations

Funding: Author has not received any funding to conduct this study.

Informed Consent Statement: The current study was conducted in compliance with the ethical guidelines governing studies involving human subjects, ensuring that informed consent was obtained, and privacy was guarded.

Data Availability Statement: The data used in the study is not openly available due to privacy and secrecy issues; however, the related information has been provided in the relevant tables and figures.

Conflicts of Interest: The author proclaims no conflict of interest.

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